

Wild Capitalism in Post Communist Transformation: the Case of Serbia

Martin Upchurch (Middlesex University,
London, UK), Darko Marinković
(Megatrend University, Belgrade,
Serbia)



Crony, Patrimonial or Wild Capitalism?

- Dysfunctional corporate governance
- Poor business ethics
- Insider dealing
- Corruption, crime, mafia, family, ethnic group, kinship
- Imperfect market information
- Poor/non-existent regulation

Wild Capitalism in Post Communist Transformation

- Rush to neo-liberal market 'reform'
- Weakening of ideals of social solidarity
- Downgrading of protective labour codes
- Absence (or disregard) of regulatory mechanisms
- Weak 'civil society' (and absence of pressures for restraint)
- Continuation of old 'networks'

Consequences

- Unrestrained rent-seeking by private individuals
- Burgeoning of informal economy (up to 50% GDP)
- Personal survival strategies
- Crime, corruption, tax evasion
- Increased inequality, minimal welfarism

Norms of Behaviour?

- Structure and agency
- Embeddedness (Giddens, Habermas)
- Low consumption model (Bohle and Greskovits)
- Exploited labour model
- Fragmented industrial relations model
- Inefficiencies
- Notable absence from VoC literature (apart from Slovenia – CME)

Serbia – Structural Constraints

- 1999- economy half size of decade earlier (civil wars, loss of markets, NATO sanctions)
 - Accumulated debt (169% GDP)
 - October 2000 Revolution
 - FDI, Privatisation, Rescindment of Labour Codes, EU Access
 - Increasing informal work
 - High unemployment
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Serbia – Agency Constraints

- Strong worker involvement in October 2000 revolution
- Conflictual opening (ejection of management cadre, strikes, sit-ins, demonstrations)
- Fragmented labour movement and political clientelism (high associational power, but low structural and political power)
- Weak civil society
- Contrast with Slovenia

Interplay of Structure and Agency

- Nomenklatura system under Milosevic
- 7 families? Old Socialist Party elite
- The basis of the speculative economy was 'trade' (smuggling) of oil, cigarettes, foreign currency, drugs and arms. By abusing its position, the 'power elite' in Serbia (bureaucratic, military and economic-technocratic) was the main organiser of the criminalised economy, from which it derived, for Serbian circumstances, huge profits and accumulated capital. The owner class, the 'nomenclature elite', which started to get rich during self-management socialism through so-called 'useful malfeasance', continuing through the criminalised economy in conditions of the systemic crisis of society.....had already become the dominant social actor in Serbia at the beginning of the 1990s (Obradovic 2007).
- Continuation post Milosevic of insider dealing linked to privatisation
- Continuation of disputes

Pressure for Change?

- Continuation of unfavourable structural conditions
- Continuation of political clientelism
- Little check on informal economy
- IFIs contradictory policy (marketisation versus institution building)
- EU suffers from same?
- Weak internal processes to check corruption and clientelism (systemic)

Conclusion

- Ethno- particularism?
- In reality, wild capitalism, characterised by informality, clientelism, corruption, personal political networking and gangsterism sits side-by-side with more 'normal' capitalism characterised by legality, and 'western' codes and norms of behaviour. Post Communist transformation allowed space for personal rent seeking as the old *nomenklatura* took advantage of the sale of state and social assets. What we find is a parallel world of business norms and ethics whereby the conventional practices of western-based MNCs become integrated with clientelist practices of 'indigenous' owners of capital... and so the cleansing process is subject to resistance and blockage... the search for an institutional mix that can generate transactional and structural 'efficiencies' in the framework will continue to prove elusive
- Implications for trade union strategy?